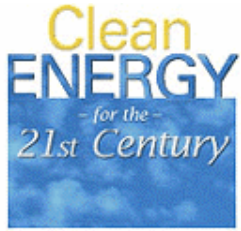


Federal Energy Management Programs
Office of Energy Efficiency and Renewable Energy

Project Financing



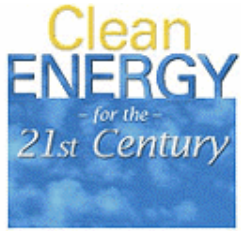
Brad Gustafson
October 24, 2000



FEMP Project Financing

- **Energy Savings Performance Contracting (ESPC) and Super ESPC**
 - **Site-Specific**
 - **Regional Super ESPCs**
 - **Technology-Specific Super ESPCs**
- **Utility Partnerships**
 - **Utility Energy Service Contracts**





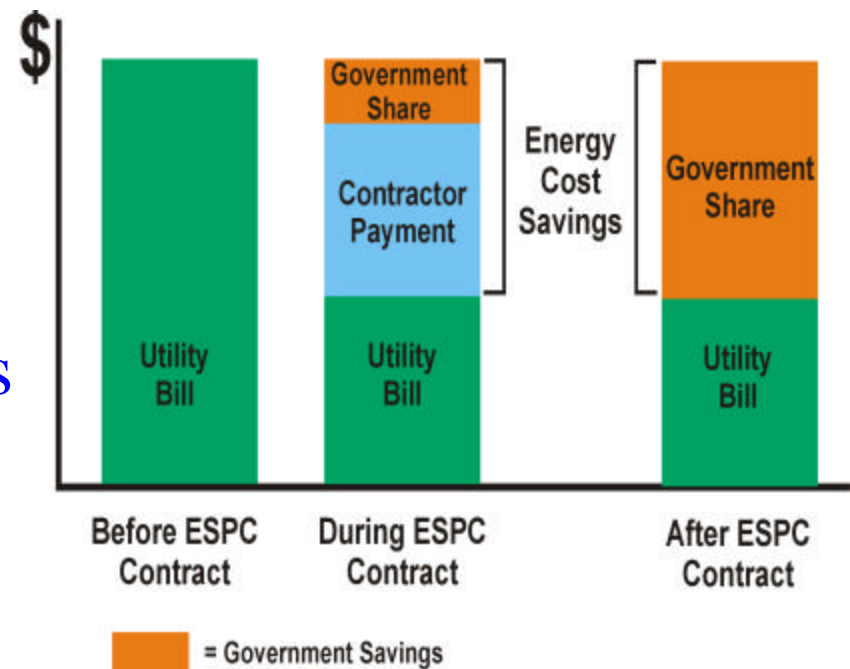
Energy Savings Performance Contracts

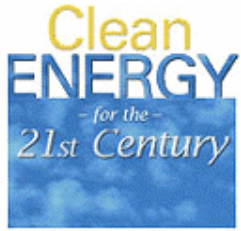
■ ESPCs reallocate the Government's utility bill

- Pay a lower utility bill
- Pay the contractor
- Achieve cost savings for the government

■ Energy Service Companies (ESCO):

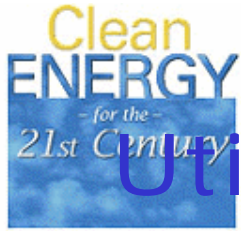
- Provide up-front financing
- Guarantee savings
- Reimbursed from realized energy savings
 - Congress notified contracts > \$10 million





Summarizing ESPC Projects

- 1988 to 1999: \$287.5 million site-specific ESPCs awarded
- 1998 to 2000: DOE Super-ESPC program
 - 41 delivery orders awarded to date
 - ESCO's total capital investment of \$108.3 million
- Army and Air Force Super-ESPC--about \$250 million in capital investment
- Total ESPC capital investment \$647.3 million



Utility Energy Service Contracts

- Regulated utility is the preferred provider
- Utility pays upfront costs
- Utility warrants equipment performance
- Utility is paid from the savings
- Congressional notification not required



Summarizing UESC Projects

- Since 1994, projects completed

- 369 awarded, completed projects
- \$519 million total project investment

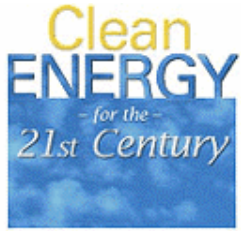
- Projects in progress

- 51 proposed projects
- \$149 potential investment for proposed projects



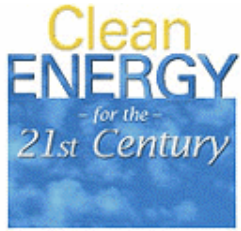
- Edison Electric Institute Commitment

- \$2.0 billion in life-cycle cost-effective facility improvement projects to achieve energy efficiency and renewable energy goals



Comparing ESPC and UESC

Features	Utility Contract	ESPC/SUPER ESPC
<i>Authorities</i>	10 USC 2865 42 USC 8256 48 CFR 16 & 41	10 USC 2865 42 USC 8287 10 CFR 436
<i>Prime Contractor</i>	Utility Company	ESCO
<i>Contract Term</i>	10 year maximum	25 year maximum
<i>Guaranteed Performance</i>	Govt. may request	Required
<i>M&V/Annual Audit</i>	Govt. may request	Required
<i>Operation & Maintenance</i>	Govt. may request	O&M typically included



Comparing ESPC and UESC

Features

Utility Contract

ESPC/SUPER ESPC

Competition

Exemption from
CICA through
Established
source

CICA applies - CBD &
source selection per
10 CFR 436.33
(Super ESPC satisfies
CICA)

*Congressional
Notification*

Recommended

Required if > \$10 million

Payment

Utility bill

Monthly invoice

Qualified Contractor List

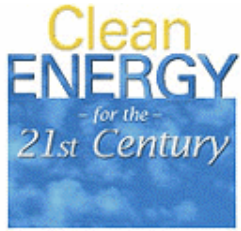
Not required

Required

Regulatory Oversight

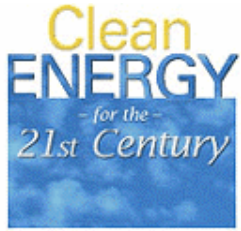
Regulated body

Not required



Project Financing Benefits

- Using ESPC and UESC--
- Avenue for project implementation with little or no appropriated funding
 - Replace aging/obsolete equipment
 - Sites reduce their energy use and energy cost
 - Environmental benefits
 - Saves taxpayer dollars
 - Stimulates growth and research in the energy efficiency industry and generates local job growth



Project Financing: What FEMP Does

- Provides guidance, helping agency project teams succeed
 - Teams become involved, trained
 - Support projects with expertise
- Provides intensive project assistance